

16. (C) In his estimation, Libyans don't take risk because they don't trust the government. There have been too many cases of favoritism in business deals and government rulings. He said, "the Bedouin mentality is still very strong. The tribal system predominates. Family ties and connections are a primary consideration in every decision. Deep seated priorities are

access to water and livestock survival - there are parallels to modern business decisions." In addition, there is a deep seated distrust of the government and the reform effort. People know that the reform effort is being "managed" by Saif al-Islam and don't think that it will bring any real benefit to the public. They want assurances that their government salaries and subsidized goods and services will continue indefinitely. They have a tremendous sense of entitlement and deep seated belief that the government owes them a regular salary for minimal work. He also described that he sees as deep-seated resentment towards Libya's neighbors, especially Egypt and Tunisia. Libyans were forced to travel during sanctions and had bad experiences with border crossings, customs formalities. They felt disrespect from their neighbors and humiliation. There was particular resentment of smuggling rings that profited from Libya's isolation.

CREATIVE CASH TRANSFER BY LAUNCHING SUBSIDIZED TRACTORS

17. (C) In terms of smuggling, though, the Libyans seem equally creative at finding ways to get items across borders. At one point, the Libyan government was attempting to encourage agricultural production by giving subsidized tractors to farmers. The resourceful farmers made deals with smuggling rings on the other side of the border to take possession of the tractors in return for cash payments. In order to make the exchange without going through customs controls, the farmers would take the subsidized tractors with a full tank of subsidized petrol to a remote field, rig the machine so it would continue for miles in a straight line, and then launch the unmanned equipment in the direction of the border. The conspirators on the other side would eventually recover the tractor somewhere in Tunisia or Egypt and deliver cash back later. In the unlikely event a roving border patrol encountered the unmanned tractor, everyone involved had some degree of deniability: "I lost my tractor."

HOPE IS ON THE HORIZON

18. (C) A McKinsey employee stopped by the Embassy to inform us that they have been hired by an individual, "who can not be named," to prepare a comprehensive strategy for implementing bank privatization in Libya. McKinsey planned to spend a week interviewing all the Libyan bank officials, both state and private, then return to Tripoli in several weeks for a second round of meetings after the initial assessment. McKinsey's mandate is to come up with a plan that can get foreign banks into Libya in the near term, while at the same time formulating a plan for dealing with the state banks and their unwieldy payrolls of public employees as well as their nonperforming loans.

19. (C) Embassy Comment. It is just another example of the "state of the masses" that the Jamahiriya is not able to reach consensus within its many committee structures to move forward with a banking privatization plan on its own, or even to reach consensus to hire experts to make recommendations. Similar to the National Economic Strategy funded by Saif al-Islam, launched with great acclaim, but still without any activity associated with it, the challenge will be getting the McKinsey bank privatization plans actually implemented.
BERRY